

**HOUSING AUTHORITY OF THE CITY OF SULPHUR****FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT****DECEMBER 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/24/07

**HOUSING AUTHORITY OF THE CITY OF SULPHUR  
SULPHUR, LOUISIANA**

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## Independent Auditors' Report

Board of Commissioners  
Housing Authority of The City  
of Sulphur  
Sulphur, Louisiana

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of The City of Sulphur, as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of The City of Sulphur's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Housing Authority of The City of Sulphur, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2007, on our consideration of the Housing Authority of The City of Sulphur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of The City of Sulphur's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by

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U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Housing Authority of The City of Sulphur. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMullen and Mancuso, CPAs, LLC

*McMullen and Mancuso CPAs*

September 26, 2007

**HOUSING AUTHORITY OF SULPHUR, LOUISIANA**

**REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**DECEMBER 31, 2006**

**Housing Authority of Sulphur, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2006**

The management of Public Housing Authority of Sulphur, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2006. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

**FINANCIAL HIGHLIGHTS**

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$4,362,208 at the close of the fiscal year ended 2006.
  - ✓ Of this amount \$3,147,282 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
  - ✓ The remainder of \$1,214,926 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 63% of the total operating expenses of \$1,928,521 for the fiscal year 2006, which means the Authority might be able to operate about 7.6 months using the unrestricted assets alone, which compares unfavorably with 15.2 months in the prior fiscal year.
- The Housing Authority's total net assets increased by \$406,341, a 10% change from the prior fiscal year 2006. This increase is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The increase in net assets of these funds was accompanied by an increase in unrestricted cash by \$395,543 from fiscal year 2006, primarily due to spending \$422,433 less for operations than Federal funds and rental receipts received for operations.
- The Authority spent \$418,706 on capital asset additions and \$99,209 on construction in progress during the current fiscal year.
- These changes led to an increase in total assets by \$619,176 and an increase in total liabilities by \$227,785. As related measure of financial health, there are still over \$3.89 of current assets covering each dollar of total current and long-term liabilities, which compares unfavorably with \$11.43 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

**Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2006**

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

### **Reporting on the Housing Authority as a Whole**

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Fund Financial Statements**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

## **USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Housing Choice Vouchers
- Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation
- Public Housing Capital Fund Program
- SHELTER CARE PLUS
- DVP

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

**Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2006**

**Reporting the Housing Authority's Most Significant Funds**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

**FINANCIAL ANALYSIS**

The Housing Authority's net assets were \$4,362,208 as of December 31, 2006. Of this amount, \$3,147,282 was invested in capital assets, and the remaining \$1,214,926 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

**CONDENSED FINANCIAL STATEMENTS**

**Condensed Balance Sheet  
(Excluding Interfund Transfers)  
As of December 31,**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets	\$1,621,750	\$1,089,026
Capital assets, net of depreciation	<u>3,147,282</u>	<u>2,958,798</u>
Total assets	<u>4,769,032</u>	<u>4,047,824</u>
<b>LIABILITIES</b>		
Current liabilities	<u>394,828</u>	<u>65,045</u>
Non-current liabilities	<u>11,996</u>	<u>11,962</u>
Total liabilities	<u>406,824</u>	<u>77,007</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of depreciation	3,147,282	2,958,798
Unrestricted net assets	<u>1,214,926</u>	<u>997,068</u>
Total net assets	<u>4,362,208</u>	<u>3,955,866</u>
Total liabilities and net assets	<u>4,829,828</u>	<u>4,032,873</u>



**Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2006**

**CONDENSED FINANCIAL STATEMENTS (Continued)**

The net assets of these funds increased by \$747,761, or by 19%, from those of fiscal year 2005, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

<b>Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets (Excluding Interfund Transfers) Fiscal Year Ended December 31,</b>		
	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>OPERATING REVENUES</b>		
Federal grants for operations	\$ 951,091	\$1,252,300
Tenant rental revenue	288,954	247,085
Other tenant revenue	1,600	1,300
Other government grants for operations	<u>262,950</u>	<u>-</u>
Total operating revenues	<u>1,504,595</u>	<u>1,500,685</u>
<b>OPERATING EXPENSES</b>		
Depreciation	329,431	329,519
Administration	277,570	290,713
Maintenance and repairs	369,121	307,581
General	120,504	125,630
Utilities	68,861	61,688
Tenant services	2,173	2,899
Extraordinary repairs	-	43,902
Federal Housing Assistance Payments (HAP) to landlords	<u>750,060</u>	<u>809,217</u>
Total operating expenses	<u>1,917,720</u>	<u>1,971,149</u>
Income (loss) from operations	<u>(413,125)</u>	<u>(470,464)</u>
<b>NON-OPERATING REVENUES</b>		
Other non-tenant revenue	484,599	137,029
Interest income	<u>48,428</u>	<u>22,777</u>
Total Non-Operating Revenues	<u>533,027</u>	<u>159,806</u>
<b>NON-OPERATING EXPENSES</b>		
Casualty losses	<u>10,800</u>	<u>120,540</u>
Total non-operating expenses	<u>10,800</u>	<u>120,540</u>
Income (loss) after non-operating revenues and expenses	109,102	(431,198)
<b>OTHER CHANGES IN NET ASSETS</b>		
Federal grants for capital expenditures	<u>297,241</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<u>406,343</u>	<u>(431,198)</u>

**Housing Authority of Sulphur, Louisiana**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2006**

NET ASSETS, Beginning of Year	3,970,816	4,387,063
Prior period adjustments	<u>(14,950)</u>	<u>-</u>
NET ASSETS, beginning of fiscal year	<u>3,955,865</u>	<u>4,387,063</u>
NET ASSETS, end of fiscal year	<u>4,362,208</u>	<u>3,955,865</u>

**EXPLANATIONS OF FINANCIAL ANALYSIS**

Compared with the prior fiscal year, total operating and non-operating revenues increased \$377,131, or by 23%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations decreased by \$301,209, or by 24% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was a decrease in the number of eligible tenants receiving subsidies, so Housing Assistance Grants decreased accordingly, lowering the overall total.
- Total other non-operating revenue increased by \$373,221 from that of the prior fiscal year or by 234%, because the Authority received proceeds from casualty insurance claims, which are recorded as other income by the Authority in the year received.
- Federal Capital Funds from HUD increased by \$297,241 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2000 through 2006, and submitted a new grant during fiscal year 2007.
- Total tenant revenue increased by \$42,169, or by 17% from that of the prior fiscal year, due to two major factors: Tenant rental revenues increased by \$41,869, or by 17%, because occupancy rates increased by 92%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$300, or by 23%.
- Interest income increased by \$25,650, or by 113% from that of the prior fiscal year.

**Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2006**

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$163,169, or by 8%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Casualty losses decreased by \$109,740, or by 91% from that of the prior fiscal year, because a decrease in repairs due to hurricane damages.
- Housing Assistance Payments to landlords decreased by \$59,157, or by 7% from that of the prior fiscal year, because there was a decrease in the number of tenants qualifying for subsidy during the year. Consequently, revenues from HUD for these subsidies increased by \$22,385.
- Maintenance and repairs increased by \$61,540, or by 20% from that of the prior fiscal year, due to two major factors: Repair staff wages increased by \$5,058, or by 5%, and related employee benefit contributions decreased by \$5,584, or by 11%. Also, materials used increased by \$9,808, or by 20%, and contract labor costs increased by \$52,258, or by 49%. In addition, Extraordinary maintenance decreased by \$43,902 from that of the prior fiscal year.
- Administrative Expenses decreased by \$13,143, or by 5% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries decreased by \$1,915, or by 1%, but staff vacation and sick leave pay decreased by \$222, or by 14%, and related employee benefit contributions decreased by \$2,496, or by 4%; therefore, total staff salaries and benefit costs decreased by 2%. In addition, audit fees increased by \$371, or by 4%, accounting fees increased by \$16,039, legal fees increased by \$3,741; thus, total outside professional fees increased by 221%. Finally, staff travel reimbursements increased by \$23,377, staff training costs increased by \$4,421, but sundry expenses decreased by \$56,459, or by 63%; therefore, other staff administrative expense decreased by 47%.
- General Expenses decreased by \$5,126 or by 4% from that of the prior fiscal year, primarily because insurance premiums increased by \$2,954, or by 4%, since property and casualty insurance premiums increased. Also, payments in lieu of taxes (PILOT) increased by \$3,499, or by 19%. PILOT is calculated as a percentage of rent (which increased by 17%) minus utilities (which increased 12%), and therefore changed proportionately to the changes in each of these. Uncollectible rents from vacated units decreased by \$11,580, or by 48%, because these changed roughly proportional to rent, which increased by 17%.
- Utilities Expense increased by \$7,173, or by 12% from that of the prior fiscal year, because water cost increased by \$709 and an increase in rate by 3%, primarily because electricity cost increased by \$2,159 and an increase in rate by 20%. Finally, other utilities expense (such as garbage, sewage, and waste removal) increased by \$4,306, or by 17%.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

At December 31, 2006, the Housing Authority had a total cost of \$9,504,918 invested in a broad range of assets and construction in progress from projects funded in 2000 through 2006, listed below. This amount, not including depreciation, represents increases of \$877,490 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Housing Authority of Sulphur, Louisiana  
Management's Discussion and Analysis (MD&A)  
December 31, 2006**

**Capital Assets, Net of Accumulated Depreciation  
As of December 31,**

	<u>2006</u>	<u>2005</u>
Land	\$ 99,900	\$ 99,900
Construction in progress	99,209	-
Buildings	2,213,242	1,990,507
Leasehold improvements	688,394	461,969
Furniture and equipment	<u>46,537</u>	<u>406,422</u>
Total	<u>3,147,282</u>	<u>2,958,798</u>

**Debt**

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2007 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

**CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Lawrence Italio, at Public Housing Authority of Sulphur, Louisiana; P. O. Box 271; Sulphur, LA 70664.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Balance Sheet

December 31, 2006

	General	Section 8	(Memorandum Only) Totals Primary Government
<b>ASSETS</b>			
Current assets			
Cash	\$ 847,159	\$ 538,565	\$ 1,385,724 ✓
Investments	30,000	-	30,000 ✓
Accounts receivable-tenants, net	592	-	592 ✓
Accounts receivable-HUD, net	21,080	92,950	114,030 ✓
Accounts receivable-miscellaneous, net	36,731	-	36,731 ✓
Interfund receivable	31,112	29,684	60,796 ✓
Inventory	4,119	-	4,119 ✓
Prepaid items and other assets	19,004	510	19,514 ✓
Total current assets	<u>989,797</u>	<u>661,709</u>	<u>1,651,506</u>
Restricted assets			
Security deposits	31,040	-	31,040 ✓
Total restricted assets	<u>31,040</u>	<u>-</u>	<u>31,040</u>
Capital assets, net			
Land	99,900	-	99,900
Construction in progress	99,209	-	99,209
Buildings and equipment, net	<u>2,944,252</u>	<u>3,921</u>	<u>2,948,173</u>
Total capital assets, net	<u>3,143,361</u>	<u>3,921</u>	<u>3,147,282</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,164,198</u>	<u>\$ 665,630</u>	<u>\$ 4,829,828</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Balance Sheet (Continued)

December 31, 2006

	General	Section 8	(Memorandum Only) Totals Primary Government
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable - other government	\$ 11,573	\$ -	\$ 11,573
Accounts payable - HUD	-	341,418	341,418
Interfund payable	24,613	36,183	60,796
Deferred revenues	3,533	-	3,533
Current portion of long term debt - compensated absences payable	5,796	1,468	7,264
Total current liabilities	<u>45,515</u>	<u>379,069</u>	<u>424,584</u>
Current liabilities payable from current restricted assets			
Deposits due others	31,040	-	31,040
Noncurrent liabilities			
Compensated absences payable	11,996	-	11,996
Total liabilities	<u>88,551</u>	<u>379,069</u>	<u>467,620</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,143,361	3,921	3,147,282
Unrestricted	932,286	282,640	1,214,926
Net assets	<u>4,075,647</u>	<u>286,561</u>	<u>4,362,208</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,164,198</u>	<u>\$ 665,630</u>	<u>\$ 4,829,828</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

**ENTERPRISE FUNDS**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets

December 31, 2006

	<u>General</u>	<u>Section 8</u>	<u>(Memorandum Only) Totals Primary Government</u>
<b>OPERATING REVENUES</b>			
Dwelling rental	\$ 290,554	\$ -	\$ 290,554
Other	478,527	5,573	484,100
Total operating revenues	<u>769,081</u>	<u>5,573</u>	<u>774,654</u>
<b>OPERATING EXPENSES</b>			
Administration	202,527	75,044	277,571
Tenant services	2,173	-	2,173
Utilities	68,862	-	68,862
Ordinary maintenance and operation	369,121	-	369,121
General expenses	116,795	3,708	120,503
Nonroutine maintenance	10,800	-	10,800
Housing and assistance payments	-	750,060	750,060
Depreciation	325,643	3,788	329,431
Total operating expenses	<u>1,095,921</u>	<u>832,600</u>	<u>1,928,521</u>
Income (Loss) from operations	<u>(326,840)</u>	<u>(827,027)</u>	<u>(1,153,867)</u>
<b>Nonoperating revenues (expenses)</b>			
Interest earnings	35,995	12,432	48,427
Gain (loss) on disposition of capital assets	500	-	500
Federal grants	337,719	876,321	1,214,040
Total nonoperating revenues (expenses)	<u>374,214</u>	<u>888,753</u>	<u>1,262,967</u>
Income (loss) before capital contributions	47,374	61,726	109,100
Capital grant contributions	<u>297,241</u>	<u>-</u>	<u>297,241</u>
Change in net assets	344,615	61,726	406,341
<b>NET ASSETS AT BEGINNING OF YEAR</b>			
As originally reported	3,731,032	239,785	3,970,817
Prior period adjustments	-	(14,950)	(14,950)
As restated	<u>3,731,032</u>	<u>224,835</u>	<u>3,955,867</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,075,647</u>	<u>\$ 286,561</u>	<u>\$ 4,362,208</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Cash Flows

December 31, 2006

	General	Section 8	(Memorandum Only) Totals Primary Government
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rental receipts	\$ 292,469	\$ -	\$ 292,469
Payments to vendors	(505,231)	(25,555)	(530,786)
Payments to employees	(282,216)	(48,550)	(330,766)
Other receipts (payments)	436,525	5,573	442,098
Payments to private landlords	<u>-</u>	<u>(750,060)</u>	<u>(750,060)</u>
Net cash provided by (used in) operating activities	(58,453)	(818,592)	(877,045)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal grants	<u>613,880</u>	<u>1,127,696</u>	<u>1,741,576</u>
Net cash provided by (used in) noncapital financing activities	613,880	1,127,696	1,741,576
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(418,706)	-	(418,706)
Payments for construction in progress	(99,209)	-	(99,209)
Proceeds from sales of capital assets	<u>500</u>	<u>-</u>	<u>500</u>
Net cash provided by (used in) capital and related financing activities	(517,415)	-	(517,415)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	<u>35,995</u>	<u>12,432</u>	<u>48,427</u>
Net cash provided by (used in) investing activities	<u>35,995</u>	<u>12,432</u>	<u>48,427</u>
Net increase (decrease) in cash and cash equivalents	74,007	321,536	395,543
Cash and cash equivalents at beginning of year	<u>804,192</u>	<u>217,029</u>	<u>1,021,221</u>
Cash and cash equivalents at end of year	<u>\$ 878,199</u>	<u>\$ 538,565</u>	<u>\$ 1,416,764</u>



Housing Authority of The City of Sulphur  
Sulphur, Louisiana

ENTERPRISE FUNDS  
Statement of Cash Flows (Continued)

December 31, 2006

	General	Section 8	(Memorandum Only) Totals Primary Government
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (326,840)	\$ (827,027)	\$ (1,153,867)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	325,643	3,788	329,431
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable-other	(36,731)	-	(36,731)
(Increase) decrease in accounts receivable-tenants	397	-	397
(Increase) decrease in interfund receivables	(21,055)	123,087	102,032
(Increase) decrease in inventory	(2,804)	-	(2,804)
(Increase) decrease in prepaid items	(1,768)	(103)	(1,871)
Increase (decrease) in accounts payable	(8,651)	-	(8,651)
Increase (decrease) in deferred revenue	(5,271)	-	(5,271)
Increase (decrease) in interfund payables	15,809	(117,841)	(102,032)
Increase (decrease) in deposit due others	1,518	-	1,518
Increase (decrease) in compensated absences	1,300	(496)	804
Net cash provided by (used in) operating activities	<u>(58,453)</u>	<u>(818,592)</u>	<u>(877,045)</u>
Reconciliation of cash and cash equivalents at end of year to balance sheet presentation:			
Cash	847,159	538,565	1,385,724
Security deposits	31,040	-	31,040
Cash and cash equivalents at end of year	<u>\$ 878,199</u>	<u>\$ 538,565</u>	<u>\$ 1,416,764</u>

The notes to the financial statements are an integral part of this statement.

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies**

The Housing Authority of The City of Sulphur (the Authority) was incorporated July 13, 1961 under the authority of the Constitution of statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Sulphur, Louisiana.

**A. Financial Reporting Entity**

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Sulphur since the Honorable Mayor of the City of Sulphur appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered multi-year terms. The City of Sulphur is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Sulphur. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Sulphur or any other governmental unit.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there are no component units that should be considered as part of the Authority's reporting entity.

Programs within the general and section 8 funds operated by the Authority receive federal assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 201 units of low-income public housing are owned by the Housing Authority of The City of Sulphur. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

- **Section 8 Public Owned Rental Housing** - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of The City of Sulphur makes up the difference between the tenants portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) - 97 units

Moderate Rehab (FW-2074) - 70 units

- **Shelter Plus Care Housing** - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules apply.

**B. Funds**

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, the moderate rehab program, and the shelter plus care housing program.

**C. Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's funds are rent and maintenance charges to residents and administration fees earned.

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Operating Expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Total columns on the basic financial statements are captioned as "Memorandum Only," because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

**D. Budgets**

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however legally adopted nor legally required for financial statement presentation.

**E. Cash and Cash Equivalents**

Cash includes amounts in demand deposits and interest-bearing demand deposits. The Authority considers all highly liquid transactions purchased with an original maturity of 90 days or less when purchased to be cash equivalents. The Authority had cash equivalents consisting of \$601,272 in money market accounts at December 31, 2006.

**F. Investments**

Investments are limited by LSA-R.S. 33:2955 and the Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments included a certificate of deposit totaling \$30,000.

The investments are reflected at fair value except for the following, when applicable, which are required/permitted as per GASB Statement No. 31:

1. Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
2. Money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost.

**Definitions:**

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**G. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as interfund receivables/payables.

**H. Inventory**

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

**I. Prepaid Items**

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items.

**J. Restricted Assets**

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for security deposits held in trust.

**K. Capital Assets**

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority capitalizes equipment and/or personal property with an initial cost of \$500 or more and an anticipated life or useful value of said equipment or property of more than one year.

Straight-line depreciation is calculated in accordance with PHA-GAAP guidelines as follows:

Original buildings	33 years
Building Improvements	15 years
Site improvements	15 years
Furniture and equipment	5-7 years

When capital assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**L. Deferred Revenues**

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, then the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**M. Compensated Absences**

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34.

The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours, disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

**N. Restricted Net Assets**

Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

**Note 2 - Deposits and Investments**

The Authority's investments are limited to those allowed by state statute. At December 31, 2006, the Authority's investments consisted of a certificate of deposit.

**Custodial Credit Risk - Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may be returned to it. As of December 31, 2006, \$967,164 of the Authority's bank balances of \$1,467,164 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging

Banks' trust department not in the  
Authority's name

\$ 967,164

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 2 - Deposits and Investments (Continued)**

Although the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon request.

Under state law, the Authority's demand deposits are required to be fully collateralized at all times. Acceptable collateralization includes Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC), and pledged securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on the deposit with the fiscal agent.

**Note 3 - Accounts Receivable**

The accounts receivables at December 31, 2006 are as follows:

	(Memorandum Only) Total		
Class of Receivable	General	Section 8	
HUD	\$ 21,080	\$ 92,950	\$ 114,030
Tenants	592	-	592
Miscellaneous	36,731	-	36,731
	<u>\$ 58,403</u>	<u>\$ 92,950</u>	<u>\$ 151,353</u>

Included in tenants accounts receivable are repayment agreements for fraudulently reporting incorrect income amounts for past rental calculations. The tenants account receivable is net of an allowance for doubtful accounts of zero. The Housing Authority expects to collect all receivables within one year.

**Note 4 - Prepaid Items**

Prepaid items as of December 31, 2006 consisted of prepaid insurance of \$19,514.

**Housing Authority of The City of Sulphur**

**Sulphur, Louisiana**

**Notes to Basic Financial Statements**

**December 31, 2006**

**Note 5 - Capital Assets**

Changes in capital assets and accumulated depreciation during the current year are as follows:

	12/31/2005			12/31/2006
	Cost	Additions	Dispositions	Cost
Land	\$ 99,900	\$ -	\$ -	\$ 99,900
Buildings	8,686,926	110,218	-	8,797,144
Furniture, equipment, and machinery	208,351	9,803	(8,164)	209,990
Construction in progress	-	99,209	-	99,209
Site improvements	99,200	298,685	-	397,885
	<u>9,094,377</u>	<u>\$ 517,915</u>	<u>\$ (8,164)</u>	9,604,128
Accumulated depreciation:				
Balance 12/31/05				(6,135,580)
Current year depreciation				(329,431)
Current year dispositions				8,165
Balance 12/31/06				<u>(6,456,846)</u>
Capital assets, net of accumulated depreciation				<u>\$ 3,147,282</u>

**Note 6 - Interfund Receivables/Payables**

The following schedule reports receivables and payables within the reporting entity at December 31, 2006:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 31,112	\$ 24,613
Section 8	29,684	36,183
	<u>\$ 60,796</u>	<u>\$ 60,796</u>



# Housing Authority of The City of Sulphur

Sulphur, Louisiana

## Notes to Basic Financial Statements

December 31, 2006

### Note 7 - Accounts Payable

The accounts payable at December 31, 2006 are as follows:

Class of Payable	General	Section 8	(Memorandum Only Total)
Due to Other Governments:			
Payment in lieu of property tax	11,573	-	11,573
Payable to HUD	-	341,418	341,418
	<u>\$ 11,573</u>	<u>\$ 341,418</u>	<u>\$ 352,991</u>

### Note 8 - General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended December 31, 2006, which consisted of, compensated absences:

	General	Section 8	(Memorandum Only Total)
Balance, beginning	\$ 16,492	\$ 1,964	\$ 18,456
Additions	1,308	56	\$ 1,364
Deductions	8	552	\$ 560
Balance, ending	<u>\$ 17,792</u>	<u>\$ 1,468</u>	<u>\$ 19,260</u>
Amounts due in one year	<u>\$ 5,796</u>	<u>\$ 1,468</u>	<u>\$ 7,264</u>

In the past the liability has been liquidated by the general fund.

### Note 9 - Retirement Plan

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Authority provides pension benefits for all of its full-time employees. All regular full time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum 6.5%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65<sup>th</sup> birthday or after 10 years of participation in the plan.

**Housing Authority of The City of Sulphur**  
**Sulphur, Louisiana**  
**Notes to Basic Financial Statements**  
**December 31, 2006**

**Note 9 - Retirement Plan (Continued)**

The Authority's total payroll for the year ended December 31, 2006 was \$239,387. The Authority's contributions were calculated using the base salary amount of \$185,704. The Authority made the required contributions of \$16,617 for the year ended December 31, 2006.

**Note 10 - Contingencies and Commitments**

**Grant Disallowances** In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management of the Authority believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**Construction Projects** There are construction projects in progress at December 21, 2006 which include modernizing rental units. HUD funds these projects. Funds are requested periodically as the cost is incurred. The outstanding construction commitment was approximately \$58,200 as of December 31, 2006.

**Note 11 - Risk Management**

The Authority is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 12 - Economic Dependence and Current Vulnerability Due to Certain Concentrations**

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$1,511,281 to the Authority, which represents approximately 65% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. HUD subject to change by an act of congress or an administrative change mandates such administrative directives, rules, and regulations. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

**Note 13 - Prior Period Adjustment**

The Authority had incorrectly reported the amount of Section 8 Moderate Rehabilitation grants received in 2005. The correction of this amount resulted in a decrease to unrestricted net assets in the Section 8 program of \$14,950 at December 31, 2006.

**Note 14 - Insurance Recovery**

The Authority received insurance recovery proceeds for the impairment of capital assets as a result of damages sustained from Hurricane Rita. The amount of proceeds received during 2006 is \$415,863, and is included in Other Revenues on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

## SUPPLEMENTARY INFORMATION

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2006

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$ -	\$ 847,159	\$ -	\$ 538,565	\$ -	\$ 1,385,724
113	Cash - Other Restricted	-	-	-	-	-	-
114	Cash - Tenant Security Deposits	-	31,040	-	-	-	31,040
100	Total Cash	-	452,133	-	538,565	-	1,416,764
121	Accounts Receivable - PHA Projects	-	-	92,950	-	-	92,950
122	Accounts Receivable - HUD Other Projects	-	-	-	-	21,080	21,080
125	Accounts Receivable - Miscellaneous	-	36,731	-	-	-	36,731
126	Accounts Receivable - Tenants - Dwelling Rents	-	592	-	-	-	592
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
128	Fraud Recovery	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-
129	Accrued Interest Receivable	-	-	-	-	-	-
120	Total Receivables, net of allowance for doubtful accounts	-	37,323	92,950	-	21,080	151,353
131	Investments - Unrestricted	-	30,000	-	-	-	30,000
132	Investments - Restricted	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	-	19,004	-	510	-	19,514
143	Inventories	-	4,119	-	-	-	4,119
143.1	Allowance for Obsolete Inventories	-	-	-	-	-	-
144	Interprogram Due From	-	27,579	29,684	-	3,533	60,796
150	Total Current Assets	-	570,158	122,634	539,075	24,613	1,682,546
161	Land	-	99,900	-	-	-	99,900
162	Buildings	-	7,872,671	-	-	1,660	7,874,331
163	Furniture, Equipment & Machinery - Dwellings	-	41,294	-	1,485	-	42,779
164	Furniture, Equipment & Machinery - Administration	-	126,423	9,469	9,137	8,143	153,172
165	Leasehold Improvements	-	1,242,052	-	-	92,685	1,334,737
166	Accumulated Depreciation	-	(6,433,622)	(7,509)	(8,661)	(7,054)	(6,456,846)
	Construction In Progress	-	-	-	-	99,209	99,209
160	Total Fixed Assets, Net of Accumulated Depreciation	-	2,948,718	1,960	1,961	194,643	3,147,282
174	Other Assets	-	-	-	-	-	-
180	Total Non-Current Assets	-	2,948,718	1,960	1,961	194,643	3,147,282
190	Total Assets	\$ -	\$ 3,518,876	\$ 124,594	\$ 541,036	\$ 219,256	\$ 4,829,828

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2006

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable - 90 Days	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	-
322	Accrued Compensated Absences - Current Portion	-	5,796	-	1,468	-	7,264
331	Accounts Payable - HUD PHA Programs	-	-	-	341,418	-	341,418
333	Accounts Payable - Other Government	-	11,573	-	-	-	11,573
341	Tenant Security Deposits	-	31,040	-	-	-	31,040
342	Deferred Revenues	-	-	-	-	3,533	3,533
345	Other Current Liabilities	-	-	-	-	-	-
346	Accrued Liabilities - Other	-	-	-	-	-	-
347	Interprogram Due To	-	3,533	-	36,183	21,080	60,796
310	Total Current Liabilities	-	51,942	-	379,069	24,613	455,624
354	Accrued Compensated Absences - Non Current	-	11,996	-	-	-	11,996
350	Total Noncurrent Liabilities	-	11,996	-	-	-	11,996
300	Total Liabilities	-	63,938	-	379,069	24,613	467,620
508	Total Contributed Capital	-	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	-	2,948,718	1,960	1,961	194,643	3,147,282
511	Total Reserved Fund Balance	-	-	-	-	-	-
511.1	Restricted Net Assets	-	-	-	-	-	-
512.1	Unrestricted Net Assets	-	932,286	122,634	160,006	-	1,214,926
513	Total Equity/Net Assets	-	3,881,004	124,594	161,967	194,643	4,362,208
600	Total Liabilities and Equity/Net Assets	\$ -	\$ 3,944,942	\$ 124,594	\$ 541,036	\$ 219,256	\$ 4,829,828

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2006

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$ -	\$ 288,954	\$ -	\$ -	\$ -	\$ 288,954
704	Tenant Revenue - Other	-	1,600	-	-	-	1,600
705	Total Tenant Revenue	-	290,554	-	-	-	290,554
706	HUD PHA Operating Grants	48,458	337,719	358,494	469,369	-	1,214,040
706	Capital Grants	-	-	-	-	297,241	297,241
711	Investment Income - Unrestricted	-	35,995	6,216	6,216	-	48,427
714	Fraud Recovery	-	-	2,437	3,136	-	5,573
715	Other Revenue	-	478,527	-	-	-	478,527
716	Gain/Loss on Sale of Fixed Assets	-	500	-	-	-	500
720	Investment Income - Restricted	-	-	-	-	-	-
700	Total Revenue	48,458	1,143,295	367,147	478,721	297,241	2,334,862
911	Administrative Salaries	604	91,729	17,323	17,323	-	126,979
912	Auditing Fees	-	8,075	713	713	-	9,501
914	Compensated Absences	-	1,307	28	28	-	1,363
915	Employee Benefit Contributions - Administrative	-	40,523	8,997	8,997	-	58,517
916	Other Operating - Administrative	-	60,893	10,159	10,159	-	81,211
921	Tenant Services - Salaries	-	-	-	-	-	-
922	Relocation Costs	-	2,173	-	-	-	2,173
923	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-
924	Tenant Services - Other	-	-	-	-	-	-
931	Water	-	26,121	-	-	-	26,121
932	Electricity	-	13,026	-	-	-	13,026
933	Gas	-	-	-	-	-	-
938	Other Utilities Expense	-	29,715	-	-	-	29,715
941	Ordinary Maintenance and Operations - Labor	-	104,910	-	-	-	104,910
942	Ordinary Maintenance and Operations - Materials and Other	-	41,461	-	-	18,422	59,883
943	Ordinary Maintenance and Operations - Contract Costs	-	80,859	-	-	77,123	157,982
945	Employee Benefit Contributions - Ordinary Maintenance	-	46,346	-	-	-	46,346
952	Protective Services - Other Contract Costs	-	-	-	-	-	-
961	Insurance Premiums	-	81,892	1,854	1,854	-	85,600
962	Other General Expenses	-	-	-	-	-	-
963	Payments in Lieu of Taxes	-	22,169	-	-	-	22,169
964	Bad Debt - Tenant Rents	-	12,734	-	-	-	12,734
966	Bad Debt - Other	-	-	-	-	-	-
968	Severance Expense	-	-	-	-	-	-
969	Total Operating Expenses	604	663,933	39,074	39,074	95,545	838,230
970	Excess Operating Revenue over Operating Expenses	47,854	479,362	328,073	439,647	201,696	1,496,632
971	Extraordinary Maintenance	-	-	-	-	-	-
972	Casualty Losses - Non-Capitalized	-	10,800	-	-	-	10,800
973	Housing Assistance Payments	47,854	-	321,750	380,456	-	750,060
974	Depreciation Expense	-	318,590	1,894	1,894	7,053	329,431
900	Total Expenses	48,458	993,323	362,718	421,424	102,598	1,928,521
1010	Total Other Financing Sources (Uses)	-	-	-	-	-	-
1000	Excess-Deficiency of Operating Revenue Over (Under) Expenses	\$ -	\$ 149,972	\$ 4,429	\$ 57,297	\$ 194,643	\$ 406,341

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE  
For the Year Ended December 31, 2006

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principle Payments	-	-	-	-	-	-
1103	Beginning Equity	-	\$3,731,032	\$ 138,767	\$101,018	-	\$3,970,817
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	\$ (18,602)	\$ 3,652	-	\$ (14,950)
1113	Maximum Annual Contributions (Per ACC)	-	-	-	\$461,804	-	\$ 461,804
1114	Pro rata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	-	-	-	-	-	-
1116	Total Annual Contributions Available	-	-	-	\$461,804	-	\$ 461,804
1120	Unit Months Available	203	2,388	984	1,260	-	4,835
1121	Number of Unit Months Leased	203	2,271	880	1,206	-	4,560
1117	Administrative Fee Equity	-	-	-	\$136,636	-	\$ 136,636
1118	Housing Assistance Payments Equity	-	-	-	\$ 25,331	-	\$ 25,331

Housing Authority of The City of Sulphur  
Sulphur, Louisiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2006

<b>Federal Grantor/Pass-through Grantor/Program Name</b>	<b>CFDA Number</b>	<b>1/1/06 - 12/31/06 Grants</b>	
		<b>Expenditures</b>	
Department of Housing and Urban Development:			
PHA Owned Housing	14.850	\$	337,719
Public Housing Capital Fund:			
2005 Capital Grant	14.872		264,891
2006 Capital Grant	14.872		32,350
Section 8 Moderate Rehabilitation	14.856		358,494
Section 8 Housing Choice Vouchers	14.871		469,369
Shelter Plus Care Renewal	14.238		48,458
		<b>\$</b>	<b>1,511,281</b>

See accompanying notes to Schedule of Expenditures of Federal Awards.



**Housing Authority of The City of Sulphur**  
**Sulphur, Louisiana**  
**Notes to the Schedule of Federal Financial Assistance**  
**December 31, 2006**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of the City of Sulphur (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

**Note 3 - Relationship to Basic Financial Statements**

Federal award revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 377,719
Section 8	876,321
Capital Fund	297,241
	<u>\$ 1,551,281</u>

**Note 4 - Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Board of Commissioners  
Housing Authority of The City of Sulphur  
Sulphur, Louisiana

We have audited the financial statements of each major fund and the aggregate remaining fund information of Housing Authority of The City of Sulphur, as of and for the year ended December 31, 2006, which collectively comprise the Housing Authority of The City of Sulphur's basic financial statements and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of The City of Sulphur's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of The City of Sulphur's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of The City of Sulphur's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of The City of Sulphur's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of The City of Sulphur's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of The City of Sulphur's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of The City of Sulphur's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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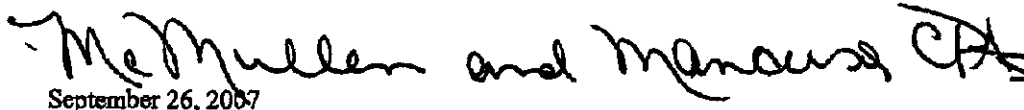
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of The City of Sulphur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as items 2006-1.

We noted certain other matters that we reported to management of the Housing Authority of The City of Sulphur in a separate letter dated September 26, 2007.

This report is intended solely for the information and use of management, the Board, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

MCMULLEN AND MANCUSO, CPAs, LLC

The signature is written in dark ink and appears to be 'McMullen and Mancuso CPAs'. The 'M' is large and stylized, and the 'C' in 'CPAs' is also large and stylized.

September 26, 2007

# McMullen and Mancuso

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners  
Housing Authority of The City of Sulphur  
Sulphur, Louisiana

### Compliance

We have audited the compliance of the Housing Authority of the City of Sulphur with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Housing Authority of the City of Sulphur's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Sulphur's management. Our responsibility is to express an opinion on the Housing Authority of the City of Sulphur's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Sulphur's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority of the City of Sulphur's compliance with those requirements.

In our opinion, the Housing Authority of the City of Sulphur complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

The management of the Housing Authority of the City of Sulphur is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the City of Sulphur's internal control over compliance with the requirements that

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could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

MCMULLEN AND MANCUSO, CPAs, LLC

*McMullen and Mancuso, CPAs*

September 26, 2007

**Housing Authority of The City of Sulphur**  
**Sulphur, Louisiana**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of the City of Sulphur.
2. There were no significant deficiencies in internal control required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There was one instance of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of The City of Sulphur expresses an unqualified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were disclosed during the audit.
7. The programs tested as major program included:
  - a. Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation - CFDA 14.856
  - b. Section 8 Housing Choice Voucher Program - CFDA 14.871
8. The threshold for distinguishing Types A and B programs was 300,000.
9. The Housing Authority of The City of Sulphur was determined to be a high risk auditee.

**Housing Authority of The City of Sulphur**  
**Sulphur, Louisiana**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

**Finding – Financial Statement Audit**

**2006-01 Failure to Complete and Submit Report Within Six Months of Close of Fiscal Year**

**Condition and Criteria:** Under state law, the audit report must be completed and submitted within six months of the close of the fiscal year to the Louisiana Legislative Auditor.

**Effect:** The Housing Authority of the City of Sulphur is not in compliance with state law.

**Cause:** The Authority had timely and properly engaged a CPA firm to perform the audit of the 12/31/06 financial statements. The auditee was notified in May 2007 that the CPA firm would be unable to perform the engagement. Another CPA firm was then engaged to perform the audit, although, given the time constraints, the auditee was unable to complete and submit the report within the six month due date.

**Recommendation:** The Authority is aware of the reporting requirement, and should confirm with their auditor at an earlier date, that the auditor is able to complete the engagement timely.

**Response:** The Authority had properly engaged an auditor to perform the engagement for 12/31/06, and because of circumstances beyond our control, were unable to submit the audit timely. We will ensure that future auditors are able to complete and submit the audit report within six months of close of the fiscal year.

**Findings and Questioned Costs – Major Federal Award Programs Audit**

There were no findings and questioned costs over the major federal award programs.

**Housing Authority of The City of Sulphur**  
**Sulphur, Louisiana**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**December 31, 2006**

There were no prior year audit findings or management letter comments.



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September 26, 2007

Board of Commissioners  
Housing Authority of the City of Sulphur  
Sulphur, LA

In planning and performing our audit of the financial statements of The Housing Authority of the City of Sulphur, Inc. for the year ended December 31, 2006, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comment and suggestions regarding this matter. This letter does not affect our report dated September 26, 2007 on the financial statements of The Housing Authority of the City of Sulphur, Inc.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comment is summarized as follows:

**Procedures for a Public Bid Contract**

The Authority did not advertise and publicly bid a construction project, which had a cost of \$32,000, and was less than the contract limit of \$100,000 per project, including labor, materials and equipment. Although not required by state public bid law, we recommend, as does the Louisiana Legislative Auditor, that for any public works project in excess of \$25,000, the entity use a request for proposals process and/or solicits at least three (3) bids.

The preceding comment and recommendations are intended solely for the information and use of the Board of Directors and management, and are not intended to be and should not be used by anyone other than the specified parties.

MCMULLEN AND MANCUSO, CPAs, LLC

September 26, 2007

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